



Impact of COVID-19 on Businesses and Way Ahead: Focusing on the New Normal

Dr. Arun Singh | Chief Economist, Dun & Bradstreet | April 16, 2020



Agenda



Impact of COVID-19 on Businesses

Weathering the Storm

Way Ahead: Focusing on the New Normal

How Dun & Bradstreet Can Help You

Impact of COVID-19 on Businesses

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Key questions that business leaders are asking

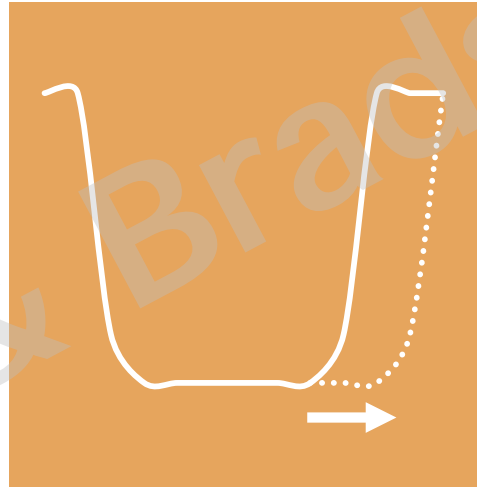
Depth of Disruption

How deep are the demand reductions?



Length of Disruption

How long could it last?

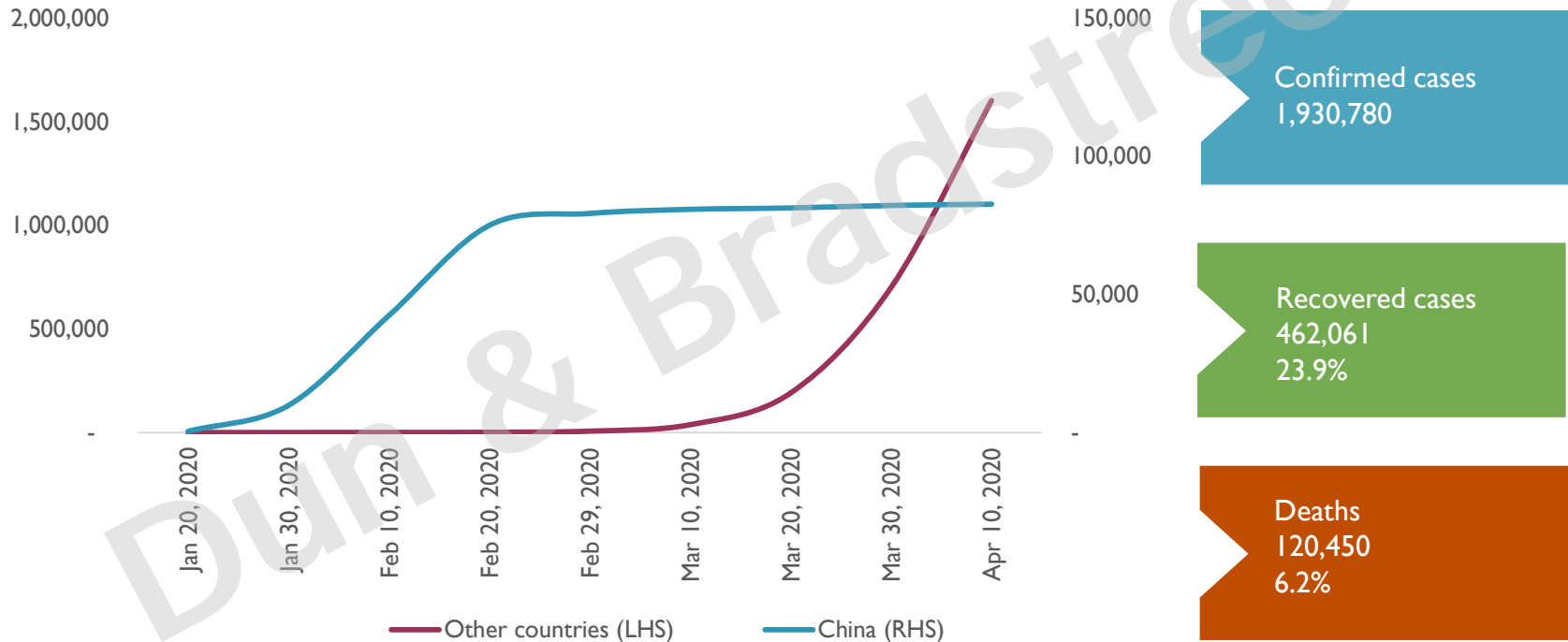


Shape of Recovery

What shape could recovery take?



The outbreak of COVID-19 in China disrupted the global value chain. With more cases being reported outside China, the level of disruption has widened and deepened considerably

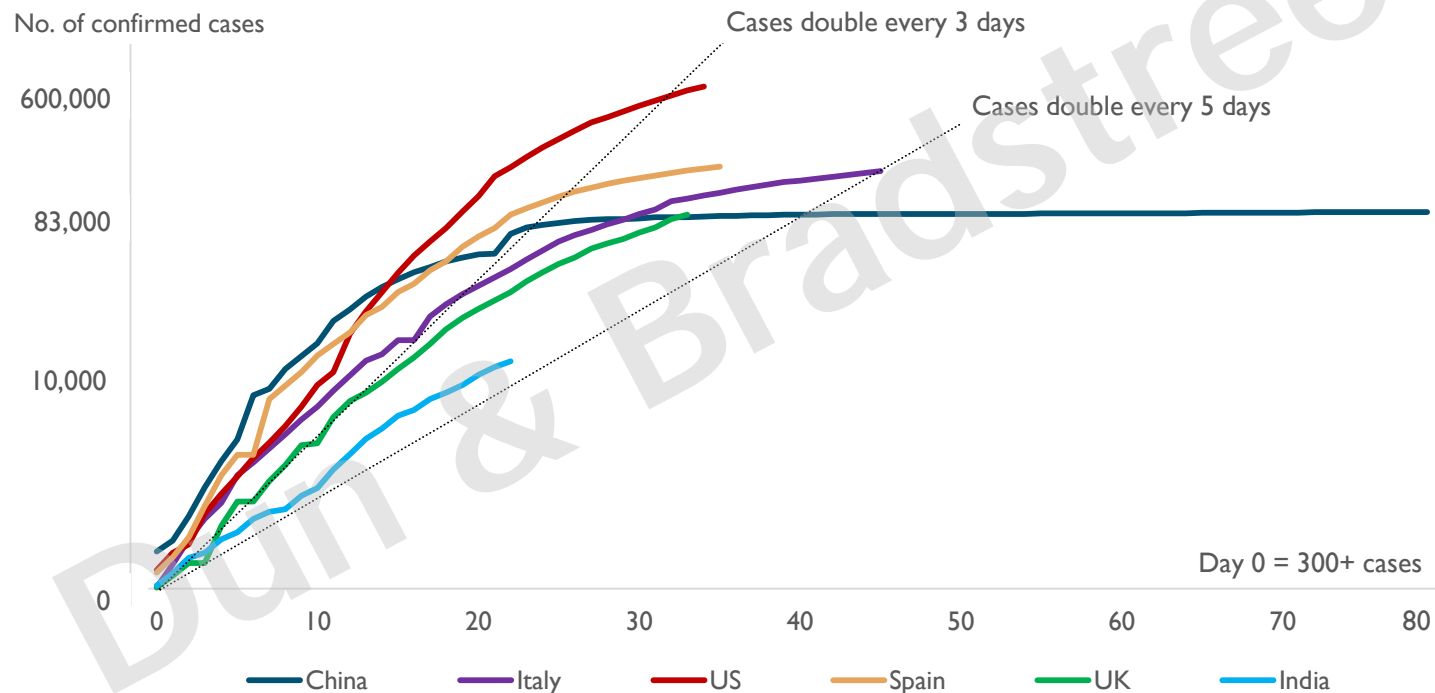


Note: Data as on April 14, 2020

Source: Johns Hopkins CSSE, WHO, CDC, ECDC, NHC and DXY

Italy's and Spain's COVID-19 trajectory show signs of flattening

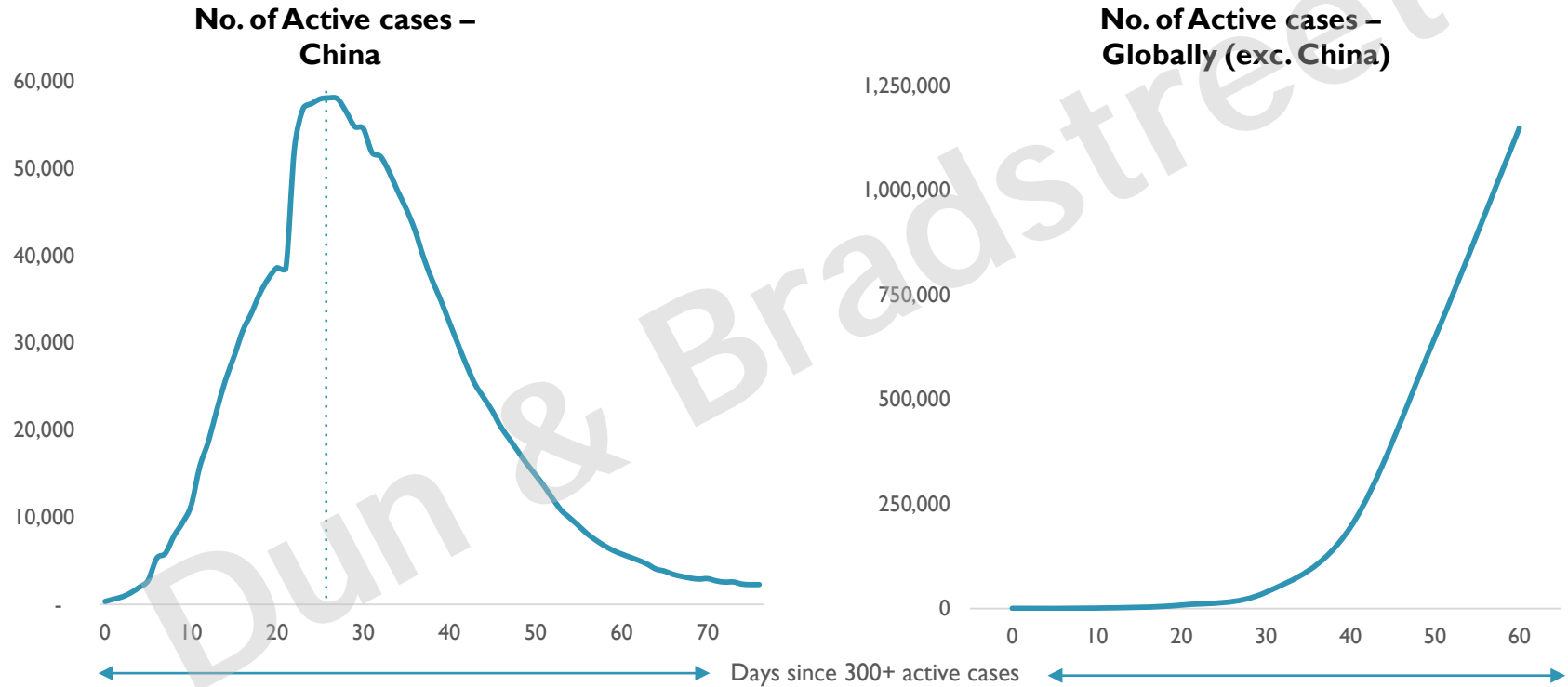
Cumulative no. of confirmed COVID-19 cases



Note: Data as on April 14, 2020

Source: Johns Hopkins CSSE, WHO, CDC, ECDC, NHC and DXY

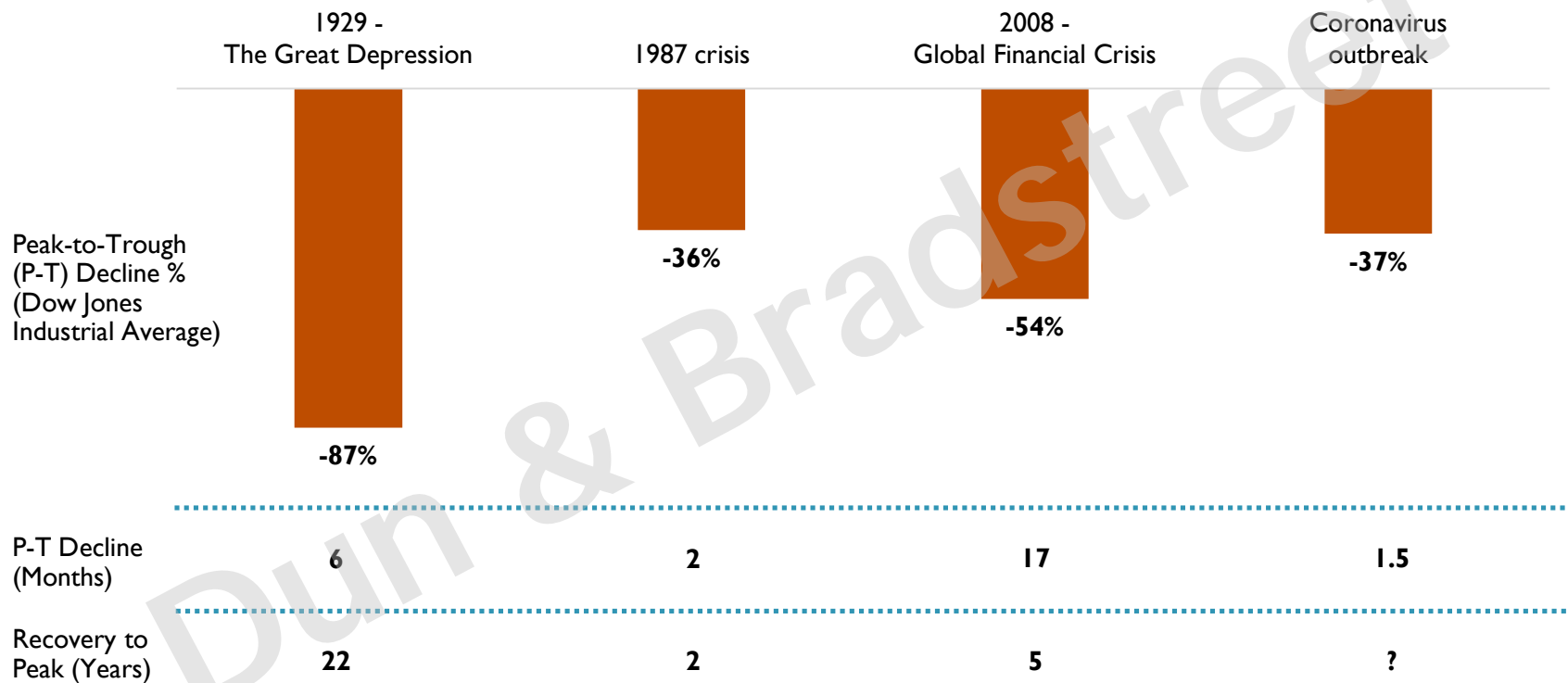
While the no. of active cases in China has plateaued, it has not even reached the peak point globally



Note: Data as on April 14, 2020

Source: HGIS, Johns Hopkins CSSE, WHO, CDC, ECDC, NHC and DXY

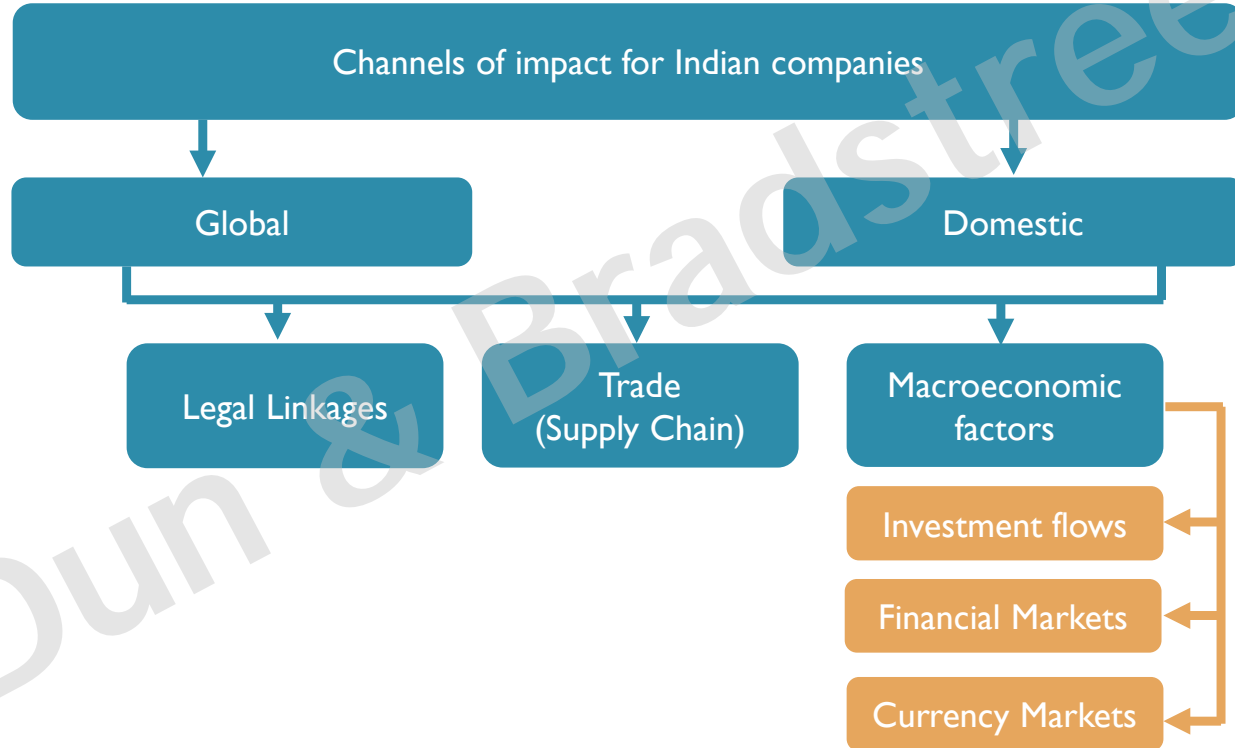
The pandemic has resulted in acute market volatility across the globe reflecting the unprecedented uncertainty of the situation



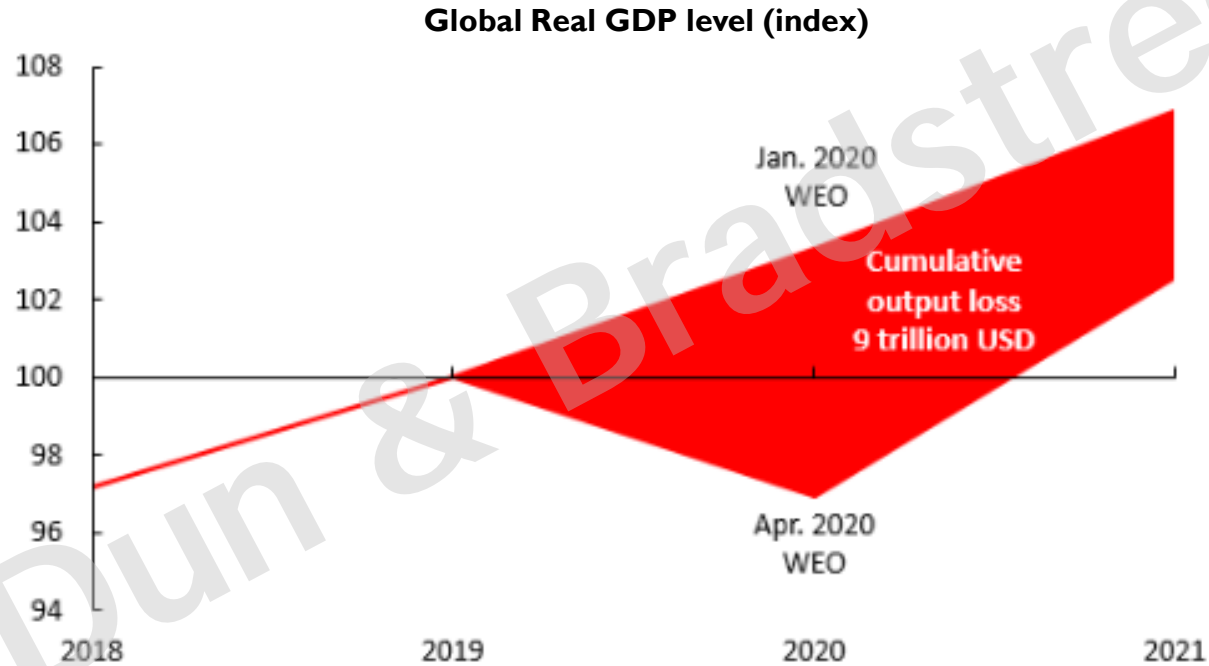
Note: Data as on March 23, 2020

Source: Dun & Bradstreet Analysis, WSJ, fedprimerate.com

Indian companies face strong headwinds both from global and domestic factors. The three major channels of impact are legal linkages, supply chain and macroeconomic factors



The cumulative output loss over 2020 and 2021 from the pandemic crisis could be around **US\$ 9 tn**. The world economy will experience the worst recession since the **Great Depression of 1929**

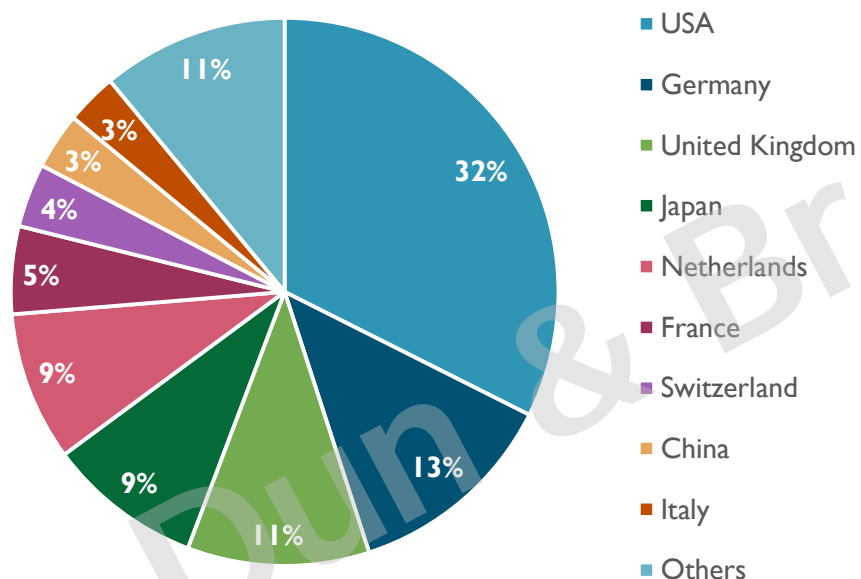


Note: Estimates as on April 14, 2020

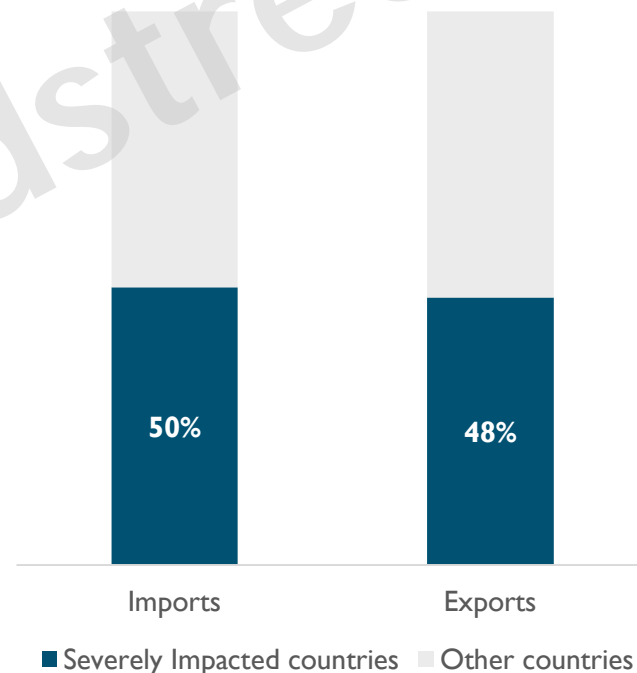
Source: IMF, World Economic Outlook; and IMF staff calculations

Implications for Indian businesses via legal linkages and trade remain significant

% share of countries (most affected by COVID-19) in which Indian entities have legal linkages



% share of countries (most affected by COVID-19) in India's import and export basket

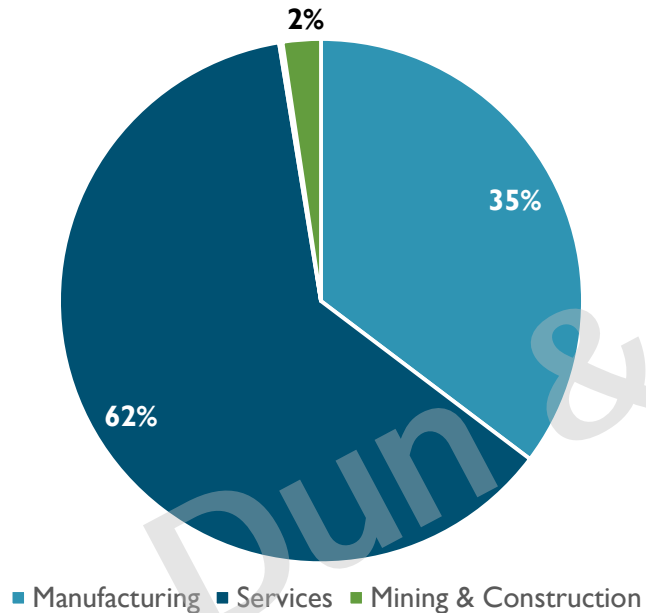


Note: Others include South Korea, Spain, Sweden, Canada, Belgium, Denmark, Austria, Norway, Malaysia and Iran

Source: Dun & Bradstreet, Ministry of Commerce & Industry

Indian entities in the services sector have the highest exposure to countries most affected by COVID-19

Sector-wise exposure of Indian entities (legal linkages)



Top Sub Sector-wise exposure of Indian entities (legal linkages)

- Business services (23%)
- Depository institutions (12%)
- Engineering, accounting, research, management & related services (8%)
- Industrial and commercial machinery and computer equipment – Manufacturing (8%)
- Wholesale trade - durable goods (7%)
- Electronic and other electrical equipment and components - Manufacturing (5%)
- Chemicals and allied products - Manufacturing (5%)
- Transportation equipment - Manufacturing (4%)
- Fabricated metal products except machinery and transp. Equip. - Manufacturing (3%)
- Wholesale trade - non durable goods (3%)
- Transportation services (3%)
- Rubber and miscellaneous plastics products - Manufacturing (2%)
- Measuring analyzing controlling instruments - Manufacturing (2%)
- Primary metal products - Manufacturing (1%)
- Food and kindred products - Manufacturing (1%)
- Communications (1%)
- Stone clay glass and concrete products – Manufacturing (1%)
- Heavy construction other than building construction - contractors (1%)
- Security and commodity brokers, dealers, exchanges and services (1%)
- Petroleum refining and related industries - Manufacturing (1%)

Source: Dun & Bradstreet

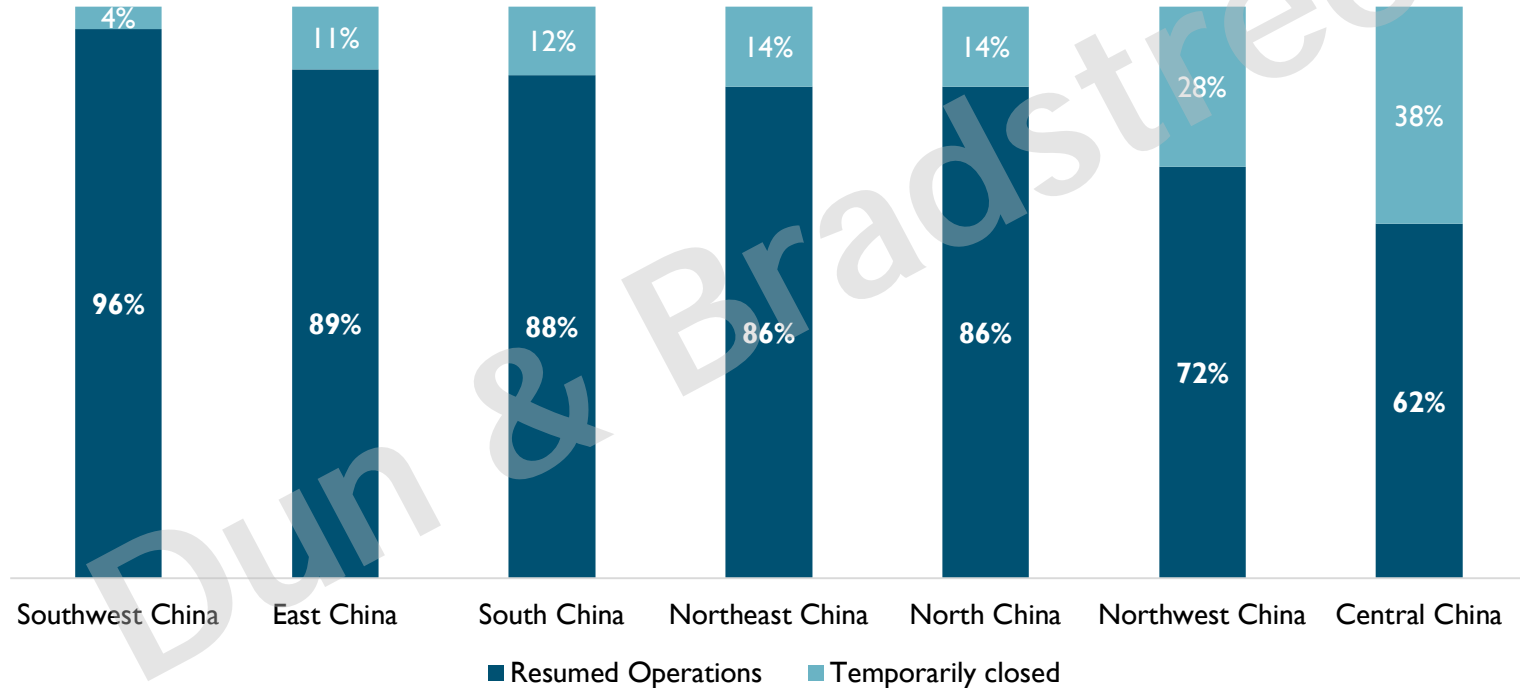
COVID-19 outbreak poses several organisational risks – supply chain, operational, financial and market. The sheer size of the shock interconnects all these risks making companies vulnerable to knock-on effects



Source: Dun & Bradstreet

There are some positive signs - Companies across China are resuming operations

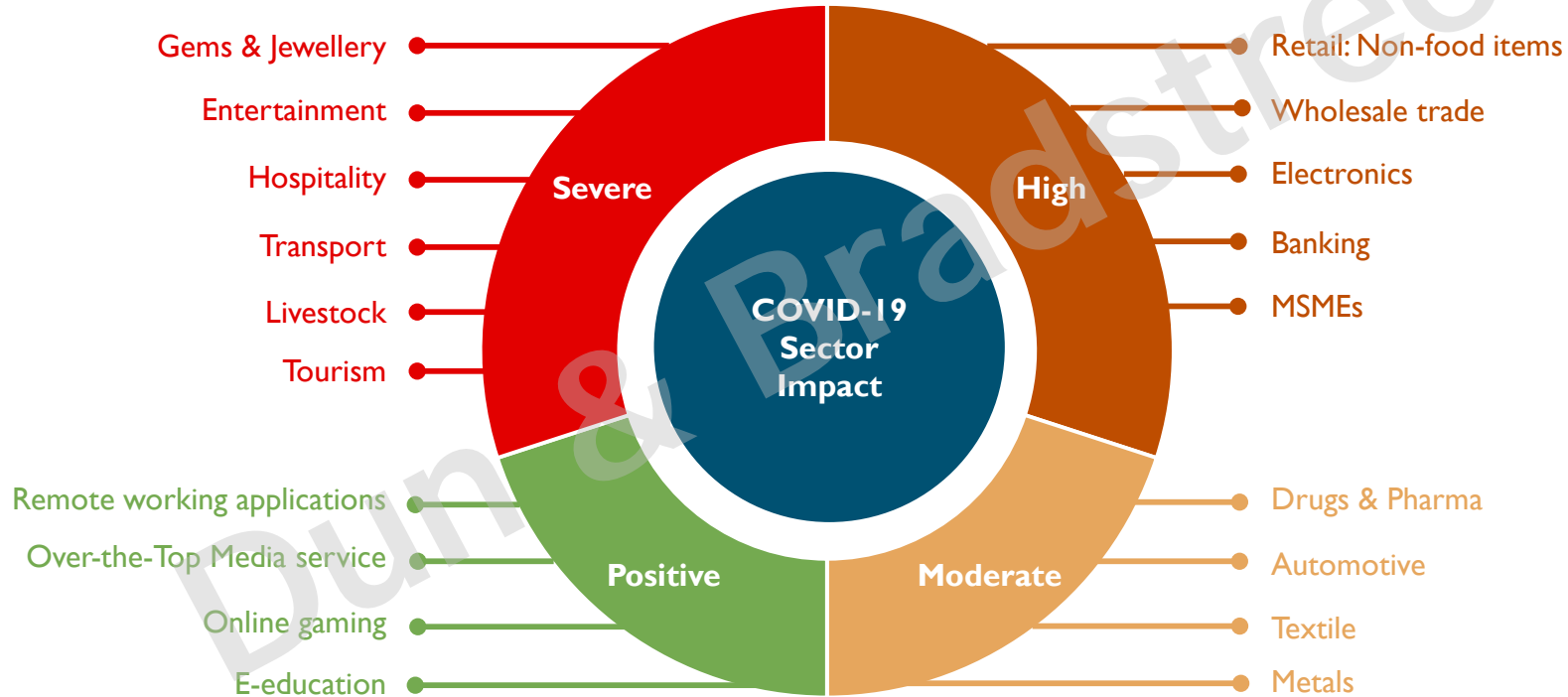
Comparison of companies resuming operations in different regions



Note: Estimates as on March 10, 2020

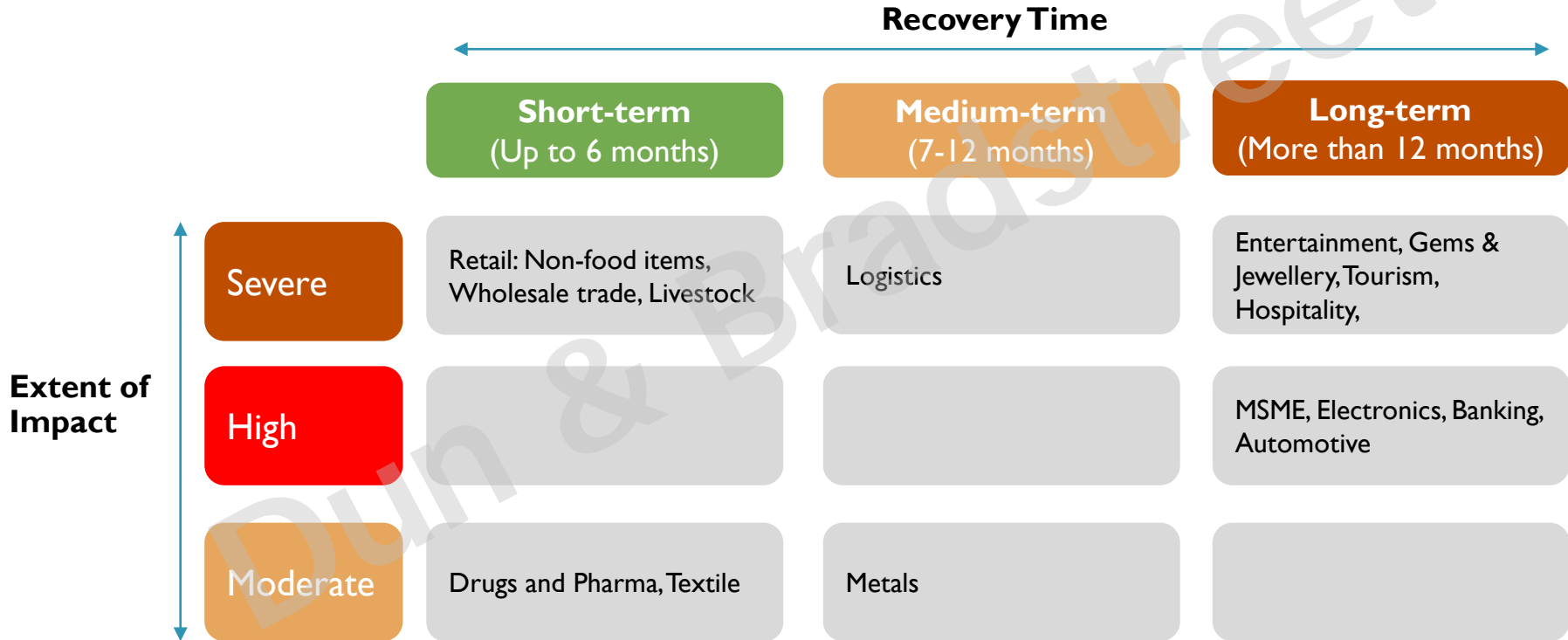
Source: Dun & Bradstreet

The impact of COVID-19 outbreak on the Indian companies will be disproportionate – while some sectors will be severely impacted, some will see a positive impact



Source: Dun & Bradstreet

The impact of **COVID-19** outbreak on the Indian companies will be disproportionate – while some sectors will recovery soon, some will take a much longer time

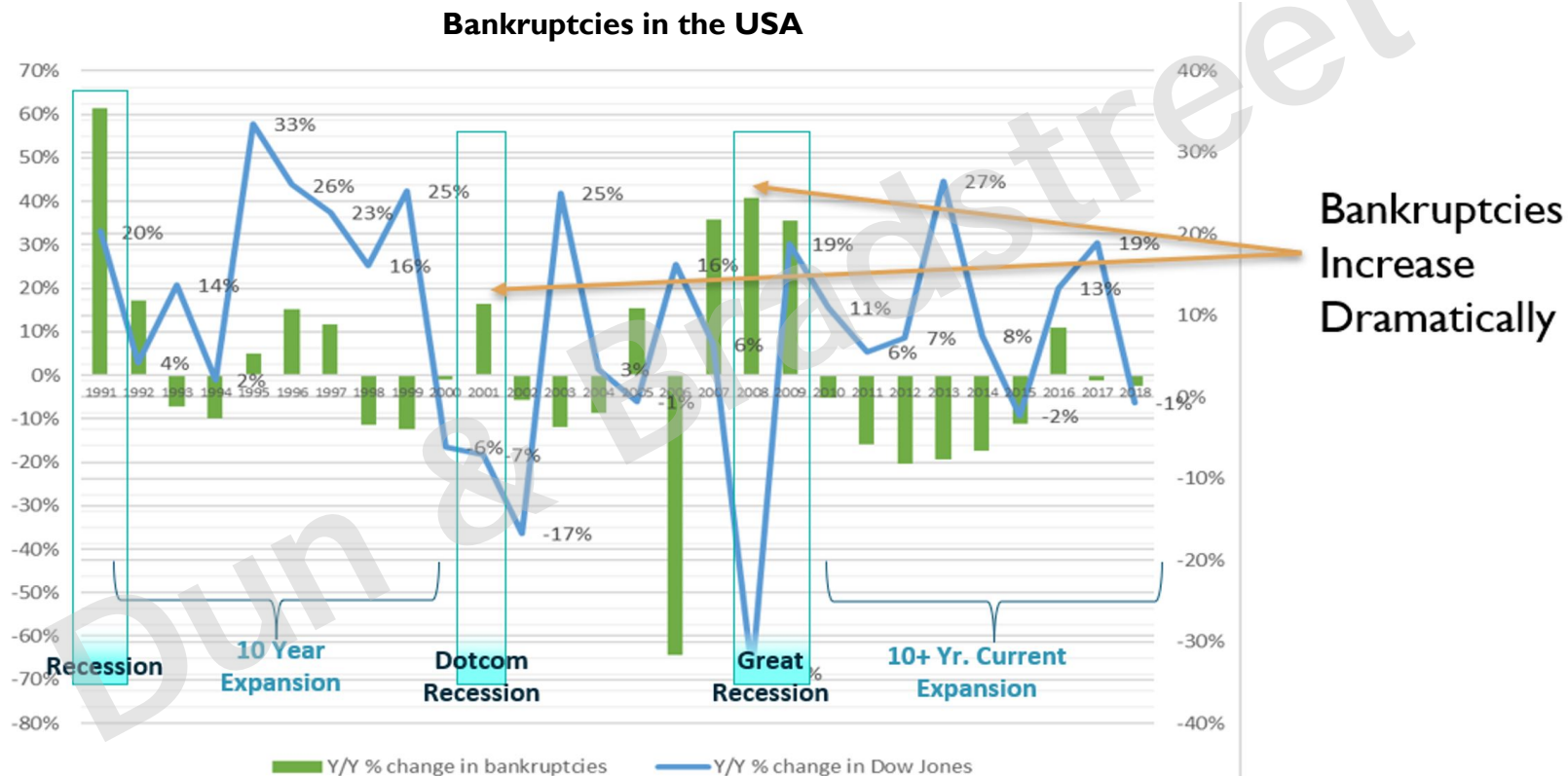


Source: Dun & Bradstreet

Weathering the Storm

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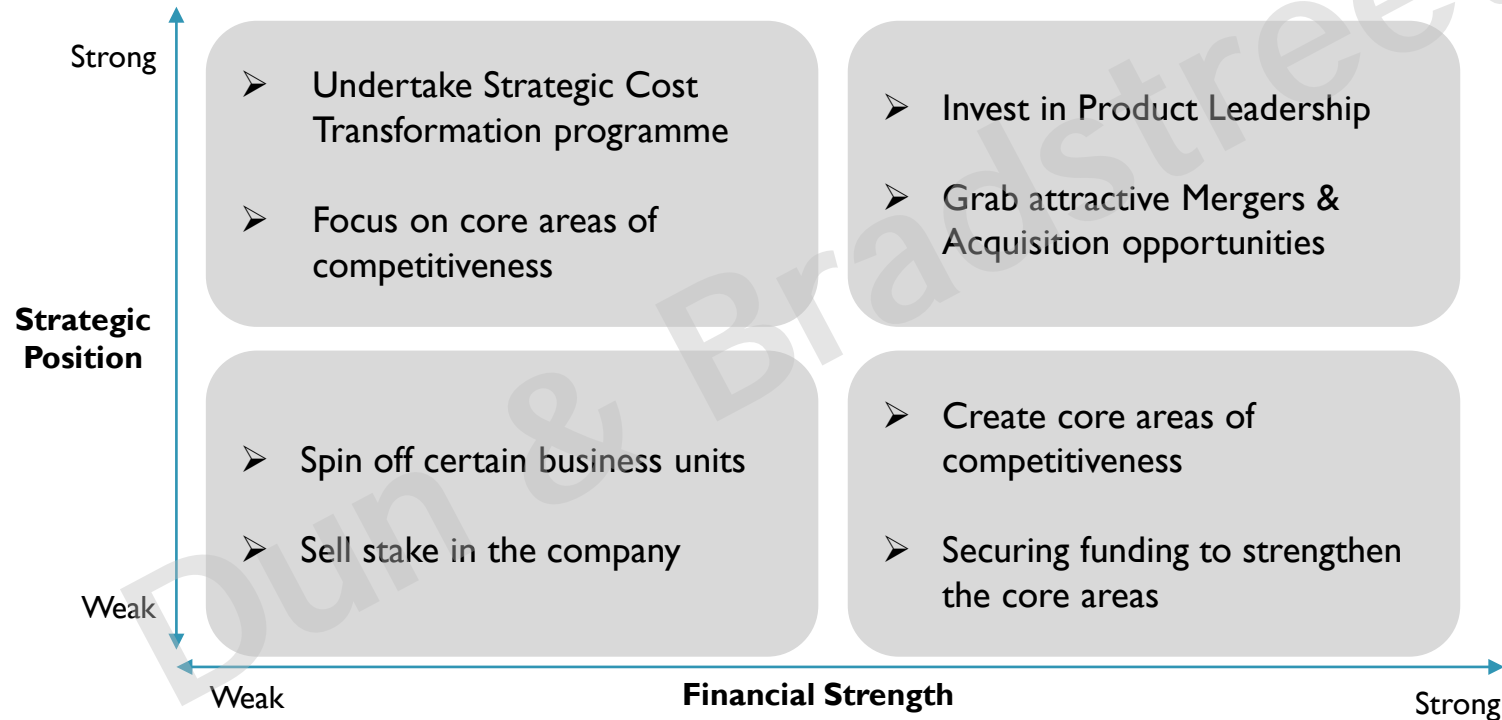
D&B research shows that the past two recessions, in 2001 and 2008, have been accompanied by precipitous increases in bankruptcies



Source: Dun & Bradstreet

Key considerations for your organisation

Recession Recovery Decision Matrix



Source: Dun & Bradstreet, Various articles

In the last downturn, 'Resilient companies' did three things to create an earnings advantage



Cleaned their balance sheets

They reduced their debt by more than \$1 for every dollar of total capital on their balance sheet, while peers added more than \$3 of debt. During the recovery phase, they shifted to M&A, using their superior cash levels to acquire assets that their peers were dumping in order to survive.



Cut costs ahead of the curve

Resilients focused primarily on operational effectiveness, reducing their cost of goods sold, while maintaining selling, general, and administrative costs roughly in line with sales.

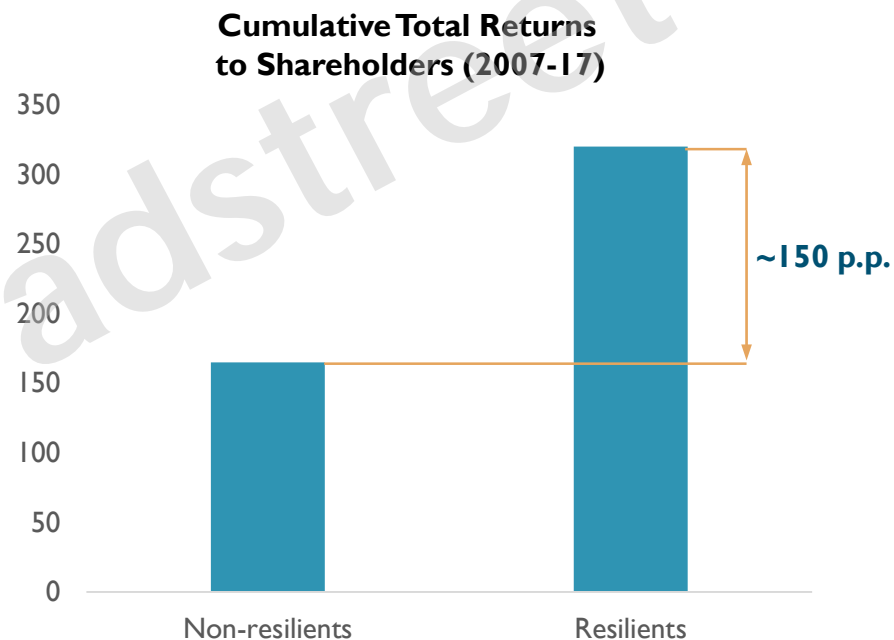
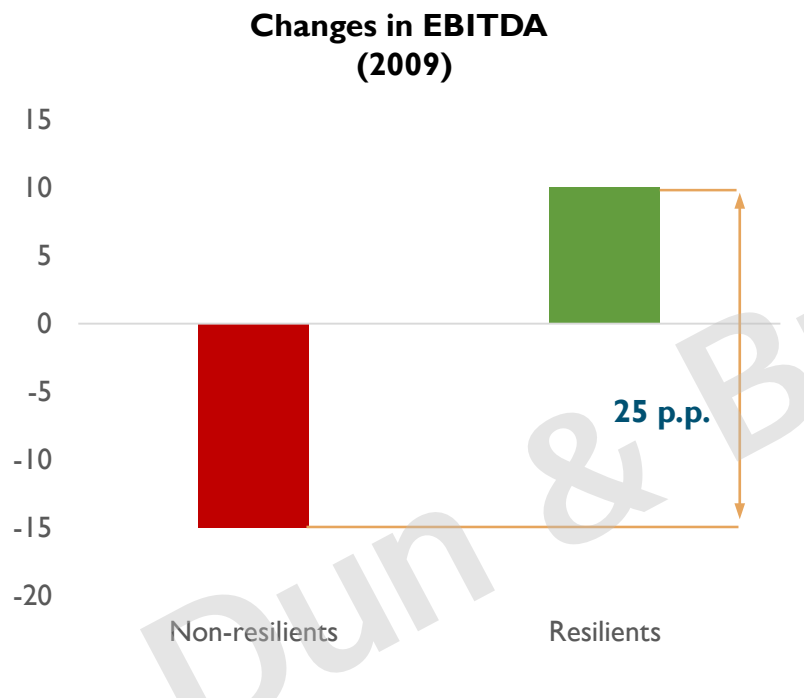


Focused on their core

Resilients in countercyclical sectors focused on growth, even if it meant incurring costs.

Source: Dun & Bradstreet, Various articles, McKinsey

The results of their actions are:



Note: Total returns to shareholders (TRS) calculated as average of subsectors' median performance within resilient and non-resilient categories; excludes financial companies and real-estate investment trusts. Resilient companies defined as top quintile in TRS performance by sector. EBITDA - Earnings before interest, taxes, depreciation, and amortization

Source: Dun & Bradstreet, Various articles, McKinsey

Way Ahead: Focusing on the New Normal

The Credit Leader's Guide to Preparing for a Recession



- Onboard an Appropriate Balance of Risk
- Consider Supply Chain Data
- Maintain Customer Relationships
- Perform Ongoing Portfolio Management
- Get Back to Basics With the 5Cs of Credit

The Credit Leader's Guide to Preparing for a Recession



01

Onboard an Appropriate Balance of Risk

A prolonged period of economic prosperity and minimal bankruptcies may have influenced the day-to-day credit policy approach, allowing more risk into the portfolio than would be prudent in a slow growth or recessionary economy. Reassess your company's credit policy to recalibrate the portfolio risk profile for new and existing customers.

The Credit Leader's Guide to Preparing for a Recession



02

Consider Supply Chain Data

It's important now to consider supply chain data as part of your comprehensive risk assessment. It's not enough to know the financial strength of your customer; you now need to know the financial health of their suppliers and their suppliers' suppliers. If your customers are dependent on a few suppliers to help produce their goods, they may face increased risk if alternative methods of production aren't available. What's their plan B?

The Credit Leader's Guide to Preparing for a Recession



03

Maintain Customer Relationships

If your company is able to, perhaps you can waive late fees on accounts past due up to 90 days for industries that are known to be in severe distress.

It's also important to review your company's pricing and margins to see what you can "afford" to be flexible with. This means more partnering internally across finance, sales, and operations to keep everyone aligned on projected cash flow.

The Credit Leader's Guide to Preparing for a Recession



04

Perform Ongoing Portfolio Management

Setting up alerts for credit risk monitoring can be crucial right now, particularly if changes will have a material or financial impact on your business. Being notified of deteriorating credit scores and legal events (such as lawsuits and liens, which can signal a pending bankruptcy) is important. Monitoring can help you stay ahead of additional, otherwise unforeseen circumstances that may require a level of decision-making and business readiness that would normally be overlooked when times are good.

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05

Get Back to Basics With the 5Cs of Credit

While we have analytics and automated solutions to assist credit teams, those efficiencies are supplemental support to comprehensive credit analysis. The analysis should focus on the core principles of credit management – what we call the 5Cs of credit – **character, capacity, capital, conditions, and collateral.**

Certainly conditions are a primary focus, as this variable calls for considering the economic impact your customers are facing – its industry, supply chain, and geographic location, to name a few variables.

How Dun & Bradstreet Can Help You

Recommended next steps

1. Evaluate your exposure using D&B Overall Business Impact (OBI) Index
2. D&B Analytic Specialists are available for consultation
3. Work with D&B Analytics Team to review ongoing requirements

Continuous evolution of Industry classifications planned so we drive ongoing precision

COVID-19 is unique in it's impact on businesses in different industries. We are working to continually enhance OBI index with the following:

- Industry level unemployment data
- Digital data trends and patterns – company outgoing digital traffic
- Layoff data
- Outgoing inquiries data and other D&B internal updates and activities about businesses
- Foot Traffic data

Recommended next steps

- Customised research reports such as Sectoral Impact Analysis can help you to [Onboard an Appropriate Balance of Risk](#)
- D&B's Third Party Solutions can help you to [Consider Supply Chain Data](#)
- Solutions such as D&B Credit can help you to [Perform Ongoing Portfolio Management](#)
- Solutions such as D&B Paydex can help you to [Get Back to Basics With the 5Cs of Credit and Maintain Customer Relationships](#)

Thank You!

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